SENATE BILL **No. 596**

Introduced by Senator Torlakson

February 20, 2003

An act to amend Sections 51652 and 51657 of the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 596, as introduced, Torlakson. Housing finance.

(1) Existing law authorizes the California Housing Finance Agency to insure housing loans made for a period acceptable to the agency not to exceed 40 years or $^{4}/_{5}$ of the remaining life of the structure, as determined by the agency, whichever is less.

This bill would delete the provision for the making of loans with a period of $^{4}/_{5}$ of the remaining life of the structure.

(2) Existing law requires the agency to establish, and authorizes the agency from time to time to revise, after public hearings, a schedule of insurance premium rates.

This bill would delete the requirement for public hearings.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 51652 of the Health and Safety Code is amended to read:

51652. Loans insured under this part shall meet all of the following requirements:

(a) The loans shall be made for a period acceptable to the agency not to exceed 40 years ~~or four-fifths of the remaining life of the structure, as determined by the agency, whichever is less~~.

(b) The loans shall be subject to maximum loan amounts for each category of loan authorized to be insured under this part.

(c) The loans shall be secured by mortgages, or the loan shall be wholly or partially insured or guaranteed by an agency or instrumentality of the United States, except for property improvement loans under limits established by the agency.

(d) The agency may establish loan-to-value limitations for each category of loan and may set forth limitations on the further encumbrance of structures and other real property securing loans, but only to the extent necessary to prevent unreasonable impairment of the agency's security. In no case involving refinancing shall the loan have a principal obligation in an amount exceeding the sum of the estimated cost of rehabilitation, if any, and the amount required to refinance existing indebtedness secured by the property and settlement and closing costs incurred in connection therewith.

(e) Loans involving the rehabilitation of residential structures shall have a principal obligation not exceeding an amount ~~which~~ *that*, when added to any outstanding indebtedness constituting a lien upon the property securing the loan, creates a total outstanding indebtedness which would be reasonably secured by a mortgage of first priority on the property pursuant to subdivision (d), and as set forth by the agency.

(f) Loans involving refinancing may be insured only if refinancing is necessary to permit a borrower to afford the cost of rehabilitation, to lower his or her monthly debt-to-income payments, minimize rent increases for occupants of the residential structure, where the rents would otherwise exceed affordable rents due to the expense of rehabilitation, or to achieve another purpose specified in this division.

(g) With respect to loans involving the rehabilitation of a residential structure, the agency shall determine that the rehabilitation is economically feasible. For *the* purposes of this subdivision, the economic feasibility of rehabilitation projects involving commercial space in a mixed residential and commercial structure shall be determined independently for any structure to be rehabilitated for mixed residential and commercial uses.

(h) For the purpose of increasing the efficiency and minimizing the cost of the loan insurance program, the agency may insure, or issue commitments to insure, loans, upon the certification of an officer of an approved lending institution that the proposed rehabilitation conforms to requirements specified by the agency regarding economic feasibility.

(i) The agency shall contract with the insured or the borrower, or both, during the term of the insurance if the agency determines that either or both of those contracts is necessary to maintain residential rentals available to lower income households at affordable rents.

(j) Relocation payments shall be made to persons and families displaced in making a site or residential structure available for rehabilitation or construction financed by loans insured under this part, and relocation advisory assistance provided to those persons, as specified by Section 51063. Relocation payments for rehabilitation or construction financed by loans insured by this part, shall also be made to owners involuntarily displaced because of inability to afford costs of compliance required pursuant to this part, but any payment pursuant to Section 4623 of Title 42 of the United States Code or Section 7263 of the Government Code shall be limited to the reasonable costs of a replacement dwelling adequate to accommodate the displaced person or family without regard to whether the dwelling is otherwise comparable to the dwelling formerly occupied, less the amount received from sale of the dwelling. Relocation payments may be made from the proceeds of insured loans as authorized by the agency.

(k) The residential structure for which a loan is insured pursuant to this part shall be insured against loss due to fire and other causes, as provided by the agency.

(*l*) Any other terms and conditions as the agency determines are necessary to further the purposes of this part.

SEC. 2. Section 51657 of the Health and Safety Code is amended to read:

51657. (a) The agency shall establish, and may from time to time revise, ~~after public hearings,~~ a schedule of insurance premium rates. The premiums may vary according to the category of the loan and the degree of risk related to the loan. Premiums shall be calculated in an amount ~~which~~ *that*, when added to the other revenues of the insurance program, will be adequate to defray losses occasioned by defaults and the operating expenses of the program, to repay amounts advanced to the agency for purposes of this part, and gradually to expand the insurance availability of the program. Approved lending institutions shall remit premiums to the fund at intervals specified by the agency.

(b) The agency may prescribe other charges that it finds necessary, including service charges and appraisal, inspection, and other fees.

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